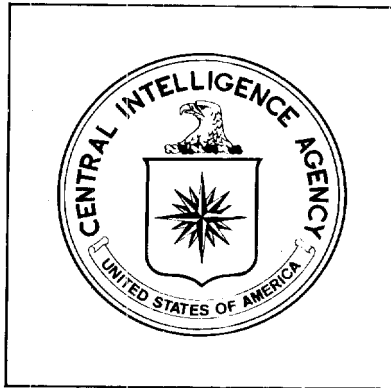


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MIDDLE EAST – AFRICA – SOUTH ASIA

This publication is prepared for regional specialists in the Washington community by the Middle East - Africa Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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India

Opposition Prospects Dim

Domestic political and economic factors appear to be working in favor of Prime Minister Gandhi and her Congress Party rather than the opposition and her leading critic, J. P. Narayan.

182) The opposition's plans to unite the numerous non-Congress parties behind independent "people's candidates" in forthcoming state and national elections will not be realized in the first state-wide poll next month in Gujarat. Gujarat's foremost anti-Congress politician, Moraji Desai, has insisted in devising his own campaign strategy, which allows the four principal parties in his modified opposition front to retain their individual identities in the race. Altogether, ten parties will run against Congress, and this alone may allow Mrs. Gandhi's party to do better than its leaders originally anticipated.

Despite Narayan's recent travels throughout India, he apparently has not secured widespread support beyond the northern states where his movement caught hold last winter when public discontent over rising prices, shortages, and corruption in government was especially strong. Narayan's unwillingness or inability to translate his idealistic goals of "total revolution" and "partyless democracy" into realistic political strategy is a major problem. He lacks a strong organizational base of his own and still refuses to become directly associated with the shaky political organization that is trying to unify the opposition. Moreover, Narayan's respiratory ailment and his age, 74, may force him to slow his pace during the months preceding national elections, due before next spring.

The government in New Delhi, meanwhile, is benefitting from some relief on the economic front. The spring foodgrain harvest is likely to

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122) establish a record, and food prices have stabilized and even fallen in some regions. Congress has won several by-elections recently and this, too, has helped raise party morale. Mrs. Gandhi's decision not to denounce the popular Narayan publicly and generally to avoid antagonizing his numerous sympathizers in the Congress Party appears to have eased the earlier threat of a party split.
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India-Pakistan

Inconclusive Talks

India and Pakistan failed to reach an agreement to restore civil air links and overflights at their latest round of bilateral talks, held in New Delhi from May 15-20.

122) The main purpose of the oft-postponed meeting was to settle the controversy arising over rival claims for damages resulting from the hijacking of an Indian plane to Pakistan in 1971 and the subsequent banning of overflights by both sides. The dispute has been complicated by India's insistence on settling out of court, and Pakistan's determination to preserve the principle of taking such disputes to international bodies--in this case the International Civil Aviation Organization where the case is still pending. In New Delhi the two sides agreed only to hold another round of talks sometime in the future. The absence of overflight rights constitutes a considerably greater financial cost to India than to Pakistan.

1) The two sides also discussed Pakistani concerns about India's Salal dam project that will enable India to regulate an important source of Pakistan's water supply. India agreed to provide the Pakistanis with additional technical data and to refer the matter to the bilateral Indus Waters Commission. Both sides agreed to curb the exchange of increasingly hostile attacks in the media in recent months.

D) The impasse over aviation matters is not a major setback on the road to better relations, but will likely further postpone the restoration of diplomatic ties. Indo-Pakistani relations have gradually improved since the Simla agreement of 1972 whereby the two countries resolved to settle their differences through negotiations. Earlier this year they signed their first major trade agreement in ten years. Eventual resolution of the overflight issue appears likely. Their dispute over Kashmir, however, is likely to remain stalemated indefinitely. (CONFIDENTIAL

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Nigeria

Economic Headaches Mounting

2) Nigerians are feeling the pinch of inflation and commodity shortages more acutely than at any time since the end of the civil war in 1970. General Gowon, spurred by growing discontent among city dwellers and grumbling among some senior officers, has begun a more visible attack on these longstanding problems. He is being closely watched by the Nigerian press, which over the past few months has become increasingly open in its criticism of the government's performance and continued military rule.

1) In recent weeks, General Gowon has announced several "emergency" actions designed to stabilize prices, to increase the supply of goods, and to punish hoarders and profiteers. Customs and excise duties have been slashed on a wide range of imports, rent controls are being instituted, and money has been authorized to begin upgrading Nigeria's badly congested ports. Gowon has also asked for US assistance in establishing air freight storage facilities at Ikeja airport, outside Lagos.

2) General Gowon realizes that his government must establish a better record for economic management if it is to retain popular support over the next few years. So far, the government has done little more than to improvise a series of stopgap measures to combat inflation and commodity shortages. The government price control board, which is bedeviled by inefficiency and charges of collusion with price violators, is unlikely to clamp a more effective lid on prices anytime soon. Food and fuel stocks are in particularly short supply, and any improvement must await the completion of the government's recently announced \$48-billion development plan. Among other things, the plan calls for expanded agricultural production and the construction of two additional oil refineries to meet local needs.

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Nigeria's annual rate of inflation is now thought to be approaching the 40 percent level and will be pushed even higher by the huge development expenditures which have been projected for the next five years. Prices--and the demand for commodities--have been rising sharply since January when Nigeria's 750,000 civil servants received large salary boosts. The country's 257,000-man army is now receiving pay raises, while workers in the private sector have been obtaining smaller increases through collective bargaining and illegal strikes. (CONFIDENTIAL)

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